

Township of Forest

Genesee County, Michigan

25-1090

Audited Financial Report

March 31, 2004

Lehn L. King

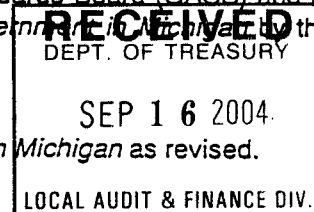
Certified Public Accountant
Marlette, Michigan

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Name (Specify) <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other Forest Township		County Genesee
Audit Date March 31, 2004	Opinion Date June 17, 2004	Date Accountant Report Submitted to State: June 17, 2004

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, as required by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.			
Street Address 3078 S. Main Street	City Marlette	State MI	ZIP 48453
Accountant Signature <i>Lehn L. King</i>			

Township of Forest
For Year Ended March 31, 2004

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Members of the Township Board
Forest Township
Genesee County, Michigan

Independent Auditor's Report

I have examined the General Purpose Financial Statements of Forest Township as of March 31, 2004, and for the year then ended, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the General Purpose Financial Statement referred to above present fairly, in all material respects, the financial position of Forest Township, at March 31, 2004, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

The accompanying financial information listed as supporting schedules in the Table of Contents is presented for purposes of additional analysis and is not required part of the General Purpose Financial Statements of Forest Township. The information has been subjected to the auditing procedures applied in the examination of the General Purpose Financial Statements, in my opinion, is fairly stated in all material respects in relation to the General Purpose Financial Statements taken as a whole.

Lehn King

Lehn L. King, C.P.A.
Certified Public Accountant

June 17, 2004

**Combined Statements -
Overview**
(General Purpose Financial Statements)

Township of Forest
 Combined Balance Sheet - All Fund Types & Account Groups
 March 31, 2004

	Governmental Fund Types			Account Groups		Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Fiduciary Fund Types	General Fixed Assets	General Long-Term Debt	
Assets						
Cash & Certificates of Deposit	\$ 179,520	\$ 275,779	\$ 34,883	\$ 0	\$ 0	\$ 490,182
Taxes & Other Receivable	13,098	26,070	0	0	0	39,168
Due From Other Funds	14,904	0	0	0	0	14,904
Due From Tax Account	4,058	0	0	0	0	4,058
Land	0	0	0	133,205	0	133,205
Buildings	0	0	0	1,076,616	0	1,076,616
Machinery, Equipment, & Other Improvements	0	0	0	887,559	0	887,559
Amount to be Provided for Retirement of General L/T Debt	0	0	0	0	516,235	516,235
Total Assets	\$ 211,580	\$ 301,849	\$ 34,883	\$ 2,097,380	\$ 516,235	\$ 3,161,927
Liabilities						
Accounts Payable	\$ 5,440	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,440
Due To Other Funds	0	14,904	4,058	0	0	18,962
Due To DDA	0	0	30,825	0	0	30,825
Loans Payable	0	0	0	0	516,235	516,235
Total Liabilities	5,440	14,904	34,883	0	516,235	571,462
Fund Equity						
Investment in General Fixed Assets	0	0	0	2,097,380	0	2,097,380
Fund Balance - Unreserved - Undesignated	206,140	286,945	0	0	0	493,085
Total Fund Equity	206,140	286,945	0	2,097,380	0	2,590,465
Total Liabilities And Fund Equity	\$ 211,580	\$ 301,849	\$ 34,883	\$ 2,097,380	\$ 516,235	\$ 3,161,927

The notes are an integral part of the statements.

Township of Forest
Combined Statement of Revenues, Expenditures
And Changes in Fund Balances - Actual
All Governmental Fund Types
For Year Ended March 31, 2004

	<u>General Fund</u>		<u>Totals</u>
	<u>General</u>	<u>Special</u>	<u>(Memorandum</u>
<u>Revenues</u>	<u>Fund</u>	<u>Revenue</u>	<u>Only)</u>
		<u>Funds</u>	
Property Taxes	\$ 134,882	\$ 297,633	\$ 432,515
Licenses & Permits	7,857	16,281	24,138
State Revenue Sharing	259,970	0	259,970
Charges for Services	1,996	0	1,996
Rental Income	24,723	0	24,723
Cemetery Income	21,955	0	21,955
Grant Proceeds	7,246	0	7,246
Interest	3,186	1,291	4,477
Miscellaneous Revenues	9,465	0	9,465
<u>Total Revenues</u>	<u>471,280</u>	<u>315,205</u>	<u>786,485</u>
<u>Expenditures</u>			
Legislative	4,467	0	4,467
General Government	259,891	0	259,891
Public Safety	61,406	88,320	149,726
Public Works	72,714	169,238	241,952
Cemetery Expenses	37,619	0	37,619
Other Functions	60,433	0	60,433
<u>Total Expenditures</u>	<u>496,530</u>	<u>257,558</u>	<u>754,088</u>
<u>Excess of Revenues Over</u>			
<u>(Under) Expenditures</u>	<u>(25,250)</u>	<u>57,647</u>	<u>32,397</u>
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In (Out)	12,800	(12,800)	0
<u>Excess of Revenues & Other Sources Over</u>			
<u>(Under) Expenditures & Other Uses</u>	<u>(12,450)</u>	<u>44,847</u>	<u>32,397</u>
<u>Fund Balances - April 1, 2003</u>	<u>218,590</u>	<u>242,098</u>	<u>460,688</u>
<u>Fund Balances - March 31, 2004</u>	<u>\$ 206,140</u>	<u>\$ 286,945</u>	<u>\$ 493,085</u>

The notes are an integral part of the statements.

Township of Forest
 Combined Statement of Revenues, Expenditures,
 And Changes in Fund Balance
 Actual Compared to Budget - All Governmental Fund Types
 For Year Ended March 31, 2004

	Governmental Fund Types						Totals (Memorandum Only)		
	General Fund			Special Revenue Funds					
	Amended Budget	Actual	Over (Under) Budget	Amended Budget	Actual	Over (Under) Budget	Amended Budget	Actual	Over (Under) Budget
Revenues									
Property Taxes	\$ 142,500	\$ 134,882	\$ (7,618)	\$ 259,960	\$ 297,633	\$ 37,673	\$ 402,460	\$ 432,515	\$ 30,055
Licenses & Permits	7,400	7,857	457	19,000	16,281	(2,719)	26,400	24,138	(2,262)
State Revenue Sharing	260,000	259,970	(30)	0	0	0	260,000	259,970	(30)
Charges for Services	25,500	1,996	(23,504)	0	0	0	25,500	1,996	(23,504)
Rental Income	20,000	24,723	4,723	0	0	0	20,000	24,723	4,723
Cemetery Sales	30,000	21,955	(8,045)	0	0	0	30,000	21,955	(8,045)
Grant Proceeds	60,000	7,246	(52,754)	0	0	0	60,000	7,246	(52,754)
Interest	2,000	3,186	1,186	0	1,291	1,291	2,000	4,477	2,477
Miscellaneous	15,600	9,465	(6,135)	0	0	0	15,600	9,465	(6,135)
Total Revenues	\$ 563,000	\$ 471,280	\$ (91,720)	\$ 278,960	\$ 315,205	\$ 36,245	\$ 841,960	\$ 786,485	\$ (55,475)
Expenditures									
Legislative	4,550	4,467	83	0	0	0	4,550	4,467	83
General Government	270,800	259,891	10,909	0	0	0	270,800	259,891	10,909
Public Safety	65,100	61,406	3,694	105,240	88,320	16,920	170,340	149,726	20,614
Public Works	78,808	72,714	6,094	183,000	169,238	13,762	261,808	241,952	19,856
Cemetery Expenses	37,700	37,619	81	0	0	0	37,700	37,619	81
Other Functions	84,055	60,433	23,622	0	0	0	84,055	60,433	23,622
Total Expenditures	541,013	496,530	44,483	288,240	257,558	30,682	829,253	754,088	75,165
Excess of Revenues Over (Under) Expenditures	21,987	(25,250)	(47,237)	(9,280)	57,647	66,927	12,707	32,397	19,690
Other Financing Sources (Uses)									
Operating Transfers In (Out)	(14,906)	12,800	27,706	0	(12,800)	(12,800)	(14,906)	0	14,906
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	7,081	(12,450)	(19,531)	(9,280)	44,847	54,127	(2,199)	32,397	34,596
Fund Balances - April 1, 2003	23,700	218,590	194,890	0	242,098	242,098	23,700	460,688	436,988
Fund Balances - March 31, 2004	\$ 30,781	\$ 206,140	\$ 175,359	\$ (9,280)	\$ 286,945	\$ 296,225	\$ 21,501	\$ 493,085	\$ 471,584

The notes are an integral part of the statements.

Township of Forest
Notes To Financial Statements
For The Year Ended March 31, 2004

The accounting methods and procedures adopted by the Township of Forest, Genesee County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Townships Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Township was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township (the primary government) and its component units. The component units discussed below are included in the Township reporting entity because of the significance of their operational or financial relationships with the Township.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Basis of Presentation - Fund Accounting - The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The Township has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The funds are grouped into fund types and generic funds as described below:

Governmental Fund Types - These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund: This fund is established to account for resources devoted to financing the general services that the Township performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Township are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds: The Special Revenue Funds are used to account for the proceeds of specific revenue resources (other than assessments or expendable trusts) that are legally restricted to expenditures for specified purposes. This fund includes: Fire Station Fund, Garbage Fund, Building Inspection Fund

Fiduciary Fund Types - These funds account for assets held by the Township as a trustee or agent for individuals, private organization, and other units of governments. These funds are as follows:

Expendable Trust and Agency Funds: This fund, used to account for assets held in trust of as an agent for others, includes the Tax Collection Fund (property taxes).

Account Groups - In addition to the broad types of governmental funds, the Township also maintains one account group as described below:

General Fixed Assets Account Group: This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes.

General Long-Term Debt Account Group: This account group is established to account for the Township's long-term debt that will be financed from general governmental resources.

Township of Forest
Notes To Financial Statements
For The Year Ended March 31, 2004

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The General Fund and Special Revenue Fund use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Agency Funds also use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Budgetary Data - The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior April 1, the budget is legally enacted.
4. The budget is used by the Township Board as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.
5. Budget amounts are as originally adopted, or as amended by the Township Board. Individual amendments were not material in relation to the original appropriations which were amended.

Cash - The Township does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Township to hold such investments until they mature.

Due To and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Other Assets - Other assets held are recorded and accounted for at cost.

Property, Plant, and Equipment - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges, are not capitalized. Property, plant, and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group.

Property, plant, and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distribution. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Township of Forest
Notes To Financial Statements
For The Year Ended March 31, 2004

Revenues and Expenditures/Expenses - Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and nontax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible accounts and delinquent accounts.

Vacation, Sick Leave, and Other Compensated Absences - The Township does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

Total Columns - The Combined Financial Statements include total columns that are described as memoranda only. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

2. Stewardship, Compliance, and Accountability

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

3. Cash and Investments

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the Local Unit's cash deposits are as follows:

	<u>Carrying Amount</u>	<u>Bank Balances</u>
Insured (FDIC)	\$ 490,182	\$ 490,182
Uninsured and Uncollateralized	<u>0</u>	<u>0</u>
Total Deposits	<u>\$ 490,182</u>	<u>\$ 490,182</u>

All cash deposits and investments of the Township are held by the Township in the Township's name.

Township of Forest
Notes To Financial Statements
For The Year Ended March 31, 2004

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Risk Categorized		NONE			
Operating Funds					
US Treasury Bonds					
Investment in Deferred					
Compensation Plans					
Total Risk-Categorized					
Investments					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Township or its agent in the Township's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

4. Retirement Plan

Effective January 1, 1998, the Township established a single-employer defined contribution pension plan covering all eligible employees who wish to participate. The Forest Township Money Purchase Pension Plan is administered by Municipal Retirements Systems, Inc. The Township and the employee each contribute 11.5% of the employee's annual compensation. Benefits are immediately 100 percent vested. Total contributions by the Township to the plan during the year ended March 31, 2004, were \$9098.

5. Property Taxes

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and must be paid by the following February 14.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible accounts and delinquent accounts.

General Government Services 0.9534 mills

Special Assessments:

Fire:	Improved	\$60
	Unimproved	\$30
Garbage:	Per Household	\$120

Township of Forest
Notes To Financial Statements
For The Year Ended March 31, 2004

6. Due To / From Other Funds

As of March 31, 2004, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From Other Funds		Due To Other Funds
General Fund	\$ 14,904	Garbage Fund	\$ 14,904

7. Property, Plant, and Equipment

Activity for general fixed assets that are capitalized by the Township is summarized below:

Assets	Balance April 1, 2003	Addition	Deduction	Balance March 31, 2004
Land	\$ 133,205	\$ 0	\$ 0	\$ 133,205
Buildings	1,076,616	0	0	1,076,616
Improvements Other Than Buildings	345,343	0	0	345,343
Machinery & Equipment	532,326	9,890	0	542,216
Total	\$ 2,087,490	\$ 9,890	\$ 0	\$ 2,097,380

8. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

9. Comparative Data

Comparative total data for the prior year has not been presented.

10. Excess of Expenditures over Appropriations in Budgetary Funds

P.A. 621 of 1968, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
Fire Station Fund			
Debt Service - Interest	\$ 22,130	\$ 23,320	\$ 1,190
Garbage Fund			
Miscellaneous	100	114	14

Township of Forest
Notes To Financial Statements
For The Year Ended March 31, 2004

11. Post Employment Benefits

The Township does not provide any post employment benefits other than the pension benefits.

12. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

13. Interfund Transfers In (Out)

During the year ended March 31, 2004, the Township's interfund transfers were as follows:

	<u>Operating Transfers In</u>		<u>Operating Transfers Out</u>
Fire Station Fund	\$ 12,800	General Fund	\$ 12,800

14. Long-Term Debt

The general long-term debt of the Township and the changes therein, are summarized as follows:

General Long-Term Debt Account Group

Notes Payable – Bank

In December 1998, the Township borrowed \$400,000 to construct a new fire station building. The installment purchase contract is payable to Citizens Bank over fifteen years in annual installments of \$38,018 beginning December 8, 1999 at an interest rate of 4.8% per annum. The balance of the loan at March 31, 2004, was \$296,083. The note matures on October 30, 2013.

On July 31, 2001, the Township borrowed \$182,793 for a new fire truck. The note is payable to Citizens Bank over seven years with interest at 4.95%. The note matures on July 31, 2008, and is secured by the fire truck. The balance of the note at March 31, 2004, was \$136,763.

On December 14, 2001, the Township borrowed \$100,000 to purchase a house. The land contract is payable to Citizens Bank over five years with interest at 4.375%. The contract matures on December 14, 2006, and is payable in annual installments of \$12,560 for four years with \$67,892 due the fifth year. It is secured by the land and house.

Township of Forest
Notes To Financial Statements
For The Year Ended March 31, 2004

14. Long-Term Debt - Continued

Changes in General Long-Term Debt

A summary of changes in long-term debt follows:

	Balance April 1, 2003	Addition	Reductions	Balance March 31, 2004
Installment Purchase Contract	\$ 318,807	\$ 0	\$ 22,724	\$ 296,083
Fire Truck	160,352	0	23,589	136,763
Land	91,875	0	8,486	83,389
Total	\$ 571,034	\$ 0	\$ 54,799	\$ 516,235

The annual principal and interest requirements for the years ending March 31, 2004 through 2009 for all debts outstanding as of March 31, 2004 are as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>After 2009</u>
Total	<u>\$ 82,193</u>	<u>\$ 82,193</u>	<u>\$ 137,660</u>	<u>\$ 69,633</u>	<u>\$ 69,248</u>	<u>\$ 174,977</u>

Total Interest expense for the Township for the year ended March 31, 2004, was \$27,395.

The following is a schedule of the retirement of long-term debt:

1998 Fire Station Loan from Citizens Bank for \$400,000

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
12/3/2003	\$ 22,724	\$ 15,294	\$ 296,084
12/3/2004	23,806	14,212	272,278
12/3/2005	24,948	13,069	247,330
12/3/2006	26,626	11,392	220,704
12/3/2007	27,904	10,114	192,800
12/3/2008	29,243	8,774	163,557
12/3/2009	30,647	7,371	132,910
12/3/2010	32,118	5,900	100,792
12/3/2011	33,660	4,358	67,132
12/3/2012	35,275	2,742	31,857
12/3/2013	21,857	1,049	10,000
Balance as of March 31, 2004	<u>\$ 308,808</u>	<u>\$ 94,275</u>	

Township of Forest
Notes To Financial Statements
For The Year Ended March 31, 2004

14. Long-Term Debt - Continued

2001 Fire Truck Loan from Citizens Bank for \$182,793

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
7/13/2003	\$ 23,589	\$ 8,026	\$ 136,763
7/13/2004	24,845	6,770	111,918
7/13/2005	26,075	5,540	85,843
7/13/2006	27,366	4,249	58,477
7/13/2007	28,720	2,895	29,757
7/13/2008	<u>29,757</u>	<u>1,473</u>	0
Balance as of March 31, 2004	<u>\$ 160,352</u>	<u>\$ 28,953</u>	

2001 Loan from Citizens for House in the amount of \$100,000

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
12/14/2003	\$ 8,486	\$ 4,074	\$ 83,389
12/13/2004	8,912	3,648	74,477
12/13/2005	9,302	3,258	65,175
12/13/2006	<u>65,175</u>	<u>2,851</u>	0
Balance as of March 31, 2004	<u>\$ 91,875</u>	<u>\$ 13,831</u>	

Supporting Schedules

Township of Forest
Combined Statements of Revenues, Expenditures,
And Changes in Fund Balance
Actual - General Fund
For The Year Ended March 31, 2004

	General Fund		
	Budget	Actual	Over (Under) Budget
<u>Revenues</u>			
Property Taxes	\$ 142,500	\$ 134,882	\$ (7,618)
Licenses, Permits & Fees	7,400	7,857	457
State Revenue Sharing	260,000	259,970	(30)
Charges for Services	20,000	1,996	(18,004)
Hall & House Rent	25,500	24,723	(777)
Grant Proceeds	60,000	7,246	(52,754)
Cemetery Sales	30,000	21,955	(8,045)
Interest	2,000	3,186	1,186
Miscellaneous	15,600	9,465	(6,135)
<u>Total Revenues</u>	\$ 563,000	\$ 471,280	\$ (91,720)
<u>Expenditures</u>			
Legislative:			
Township Board	\$ 4,550	\$ 4,467	\$ 83
General Government:			
Supervisor	35,200	33,397	1,803
Elections	1,200	53	1,147
Assessor	26,700	26,170	530
Professional Fees	12,000	8,895	3,105
Clerk	33,000	32,404	596
Board of Review	2,000	1,000	1,000
Treasurer	40,000	38,850	1,150
Building & Grounds	120,700	119,122	1,578
Public Safety:			
Fire Prevention	52,800	52,431	369
Police Protection	4,000	1,833	2,167
Planning - Zoning	4,500	3,380	1,120
Street Lights	3,800	3,762	38
Public Works:			
Parks & Recreation & Library	5,008	1,696	3,312
Highways & Streets	57,114	57,113	1
Drains at Large	6,686	5,184	1,502
Community Development - Senior Citizens	10,000	8,721	1,279
Cemetery Expenses	37,700	37,619	81
Other Functions:			
Insurance & Administration	29,855	26,841	3,014
FICA, Pension & Hospitalization	54,200	33,592	20,608
<u>Total Expenditures</u>	541,013	496,530	44,483
Excess of Revenues Over (Under) Expenditures	21,987	(25,250)	(47,237)
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In (Out)	(14,906)	12,800	27,706
<u>Excess of Revenues & Operating Transfers In Over (Under) Expenditures & Operating Transfers Out</u>	7,081	(12,450)	(19,531)
<u>Fund Balance - April 1, 2003</u>	23,700	218,590	194,890
<u>Fund Balance - March 31, 2004</u>	\$ 30,781	\$ 206,140	\$ 175,359

Township of Forest

Special Revenue Funds
Combining Balance Sheet
March 31, 2004

	Fire Station Fund	Garbage Fund	Building Inspection Fund	Totals March 31, 2004
<u>Assets</u>				
Cash	\$ 114,358	\$ 142,714	\$ 18,707	\$ 275,779
Taxes Receivable	<u>11,430</u>	<u>14,640</u>	<u>0</u>	<u>26,070</u>
<u>Total Assets</u>	<u>\$ 125,788</u>	<u>\$ 157,354</u>	<u>\$ 18,707</u>	<u>\$ 301,849</u>
<u>Liabilities & Fund Equity</u>				
<u>Liabilities</u>				
Due To General Fund	\$ <u>0</u>	\$ 14,904	\$ 0	\$ 14,904
<u>Total Liabilities</u>	<u>0</u>	<u>14,904</u>	<u>0</u>	<u>14,904</u>
<u>Fund Equity</u>				
Fund Balances:				
Unreserved - Undesignated	<u>125,788</u>	<u>142,450</u>	<u>18,707</u>	<u>286,945</u>
<u>Total Liabilities & Fund Equity</u>	<u>\$ 125,788</u>	<u>\$ 157,354</u>	<u>\$ 18,707</u>	<u>\$ 301,849</u>

Township of Forest
Special Revenue Funds
Combining Statement of Revenues, Expenditures &
Changes in Fund Balance
For The Year Then Ended March 31, 2004

	Fire Station Fund	Garbage Fund	Building Inspection Fund	Totals March 31, 2004
<u>Revenues</u>				
Property Taxes	\$ 125,590	\$ 172,043	\$ 0	\$ 297,633
Building Inspections	0	0	16,281	16,281
Interest Earnings	685	606	0	1,291
Miscellaneous	0	0	0	0
<u>Total Revenues</u>	<u>126,275</u>	<u>172,649</u>	<u>16,281</u>	<u>315,205</u>
<u>Expenditures</u>				
Contracted Services	0	169,124	13,647	182,771
Supplies & Miscellaneous	4,497	114	543	5,154
Debt Service - Principal	46,313	0	0	46,313
Debt Service - Interest	23,320	0	0	23,320
<u>Total Expenditures</u>	<u>74,130</u>	<u>169,238</u>	<u>14,190</u>	<u>257,558</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	52,145	3,411	2,091	57,647
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	<u>(12,800)</u>	<u>0</u>	<u>0</u>	<u>(12,800)</u>
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	39,345	3,411	2,091	44,847
<u>Fund Balances - April 1, 2003</u>	<u>86,443</u>	<u>139,039</u>	<u>16,616</u>	<u>242,098</u>
<u>Fund Balances - March 31, 2004</u>	<u>\$ 125,788</u>	<u>\$ 142,450</u>	<u>\$ 18,707</u>	<u>\$ 286,945</u>

Township of Forest
Combined Statement of Revenues, Expenditures
And Changes in Fund Balance
Actual Compared to Budget - Fire Station Fund
For Year Ended March 31, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>Revenues</u>			
Property Taxes	\$ 86,500	\$ 125,590	\$ 39,090
Interest Income	0	685	685
Miscellaneous	0	0	0
<u>Total Revenues</u>	<u>86,500</u>	<u>126,275</u>	<u>39,775</u>
 <u>Expenditures</u>			
Supplies & Miscellaneous	1,530	847	683
Equipment	15,150	3,650	11,500
Debt Service - Principal	47,430	46,313	1,117
Debt Service - Interest	22,130	23,320	(1,190)
<u>Total Expenditures</u>	<u>86,240</u>	<u>74,130</u>	<u>(1,190)</u>
 <u>Excess of Revenues Over (Under) Expenditures</u>	260	52,145	51,885
 <u>Other Financing Sources (Uses)</u>			
Operating Transfers In (Out)	<u>0</u>	<u>(12,800)</u>	<u>(12,800)</u>
 <u>Excess of Revenues & Operating Transfers In Over (Under) Expenditures & Operating Transfers Out</u>	260	39,345	39,085
 <u>Fund Balances - April 1, 2003</u>	<u>0</u>	<u>86,443</u>	<u>86,443</u>
<u>Fund Balances - March 31, 2004</u>	<u>\$ 260</u>	<u>\$ 125,788</u>	<u>\$ 125,528</u>

Township of Forest
Combined Statement of Revenues, Expenditures
And Changes in Fund Balance
Actual Compared to Budget - Garbage Fund
For Year Ended March 31, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>Revenues</u>			
Property Taxes	\$ 173,460	\$ 172,043	\$ (1,417)
Interest Income	0	606	606
Miscellaneous	0	0	0
<u>Total Revenues</u>	<u>173,460</u>	<u>172,649</u>	<u>(811)</u>
 <u>Expenditures</u>			
Contracted Services	182,900	169,124	13,776
Miscellaneous	<u>100</u>	<u>114</u>	<u>(14)</u>
<u>Total Expenditures</u>	<u>183,000</u>	<u>169,238</u>	<u>13,762</u>
 <u>Excess of Revenues Over (Under) Expenditures</u>	(9,540)	3,411	12,951
 <u>Other Financing Sources (Uses)</u>			
Operating Transfers In (Out)	<u>0</u>	<u>0</u>	<u>0</u>
 <u>Excess of Revenues & Operating Transfers In Over (Under) Expenditures & Operating Transfers Out</u>	(9,540)	3,411	12,951
 <u>Fund Balances - April 1, 2003</u>	<u>0</u>	<u>139,039</u>	<u>139,039</u>
 <u>Fund Balances - March 31, 2004</u>	<u>\$ (9,540)</u>	<u>\$ 142,450</u>	<u>\$ 151,990</u>

Township of Forest
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 Actual Compared to Budget - Building Inspection Fund
 For Year Ended March 31, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>Revenues</u>			
Building Inspections	\$ 19,000	\$ 16,281	\$ (2,719)
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>
<u>Total Revenues</u>	<u>19,000</u>	<u>16,281</u>	<u>(2,719)</u>
 <u>Expenditures</u>			
Salaries	17,500	13,647	3,853
Miscellaneous	<u>1,500</u>	<u>543</u>	<u>957</u>
<u>Total Expenditures</u>	<u>19,000</u>	<u>14,190</u>	<u>4,810</u>
 <u>Excess of Revenues Over (Under) Expenditures</u>	0	2,091	2,091
 <u>Other Financing Sources (Uses)</u>			
Operating Transfers In (Out)	<u>0</u>	<u>0</u>	<u>0</u>
 <u>Excess of Revenues & Operating Transfers In Over (Under) Expenditures & Operating Transfers Out</u>	0	2,091	2,091
 <u>Fund Balances - April 1, 2003</u>	<u>0</u>	<u>16,616</u>	<u>16,616</u>
 <u>Fund Balances - March 31, 2004</u>	<u>\$ 0</u>	<u>\$ 18,707</u>	<u>\$ 18,707</u>

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

3078 S. MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

June 17, 2004

Members of the Township Board
Forest Township
Genesee County, Michigan

Board Members:

In accordance with your request, I have made an examination of the financial statements of Forest Township for the fiscal year ended March 31, 2004. During the course of my examination, certain items came to my attention on which I would like to comment and offer my recommendations.

1. The Township needs to prepare a salary resolution on an annual basis, even if there are no salary increases requested.
2. All paid bills must be approved in the Minutes. Authorization to pay bills stems from Board approval. Thus, one should be able to trace paid bills to the Minutes. To do this, identification of the actual bills to be paid must be part of the Minutes. The motion to pay bills must identify the specific bills that are to be paid.
3. Per P.A. 621 of 1968, the Board does not have authorization to spend monies that would exceed the current budget. The budget must be amended prior to the expenditure exceeding the budgeted item. All budget amendments must be part of the Minutes. The amendment in the Minutes must balance, meaning, that if there is an addition to one line item, there must also be a subtraction of an equal amount on another line item.
4. GASB 34 states that the financial reporting format must be revised for Governmental Units. Forest Township will need to comply with GASB 34 for the audit year ending March 31, 2005. The main item of concern for the Township is to develop a Fixed Asset listing that will satisfy the requirements of GASB 34.

I thank the Township officials for the cooperation I received in the completion of this audit. Should you have any questions in connection with the above, please contact me at your convenience.

Sincerely,

Lehn King
Lehn L. King, C.P.A.